

(3) Interest that is calculated on a variable rate basis varies every calendar quarter throughout the life of the loan as the market price of U.S. Treasury bills changes. For any quarter it may not exceed the rate determined by the Secretary under paragraph (a)(1) of this section.

(4) The Secretary announces the rate determined under paragraph (a)(1) of this section on a quarterly basis through a notice published in the FEDERAL REGISTER.

(b) *Compounding of interest.* Interest accrues from the date the loan is disbursed until the loan is paid in full. Unpaid accrued interest shall be compounded not more frequently than semiannually and added to principal. However, a lender or holder may postpone the compounding of interest before the beginning of the repayment period or during periods of deferment or forbearance and add interest to principal at the time repayment of principal begins or resumes.

(c) *Payment.* Repayment of principal and interest is due when the repayment period begins. A lender or holder must permit a borrower to postpone paying interest before the beginning of the repayment period or during a period of deferment or forbearance. In these cases, payment of interest begins or resumes on the date repayment of principal begins or resumes.

(d) *Usury laws.* No provision of any Federal or State law that limits the rate or amount of interest payable on loans shall apply to a HEAL loan.

[48 FR 38988, Aug. 26, 1983, as amended at 51 FR 30644, Aug. 28, 1986; 57 FR 28795, June 29, 1992]

#### § 60.14 The insurance premium.

(a) *General.* (1) The Secretary insures each lender or holder for the losses of principal and interest it may incur in the event that a borrower dies; becomes totally and permanently disabled; files for bankruptcy under chapter 11 or 13 of the Bankruptcy Act; files for bankruptcy under chapter 7 of the Bankruptcy Act and files a complaint to determine the dischargeability of the HEAL loan; or defaults on his or her loan. For this insurance, the Secretary charges the lender an insurance premium. The insurance premium is

due to the Secretary on the date of disbursement of the HEAL loan.

(2) The lender may charge the borrower an amount equal to the cost of the insurance premium. The cost of the insurance premium may be charged to the borrower by the lender in the form of a one-time special charge with no subsequent adjustments required. The lender may bill the borrower separately for the insurance premium or may deduct an amount attributable to it from the loan proceeds before the loan is disbursed. In either case, the lender must clearly identify to the borrower the amount of the insurance premium and the method of calculation.

(3) If the lender does not pay the insurance premium on or before 30 days after disbursement of the loan, a late fee will be charged on a daily basis at the same rate as the interest rate that the lender charges for the HEAL loan for which the insurance premium is past due. The lender may not pass on this late fee to the borrower.

(4) HEAL insurance coverage ceases to be effective if the insurance premium is not paid within 60 days of the disbursement of the loan.

(5) Except in cases of error, premiums are not refundable by the Secretary, and need not be refunded by the lender to the borrower, even if the borrower graduates or withdraws from the school, defaults, dies or becomes totally and permanently disabled.

(b) *Rate.* The rate of the insurance premium shall not exceed the statutory maximum. The Secretary announces changes in the rate of the insurance premium through a notice published in the FEDERAL REGISTER.

(c) *Method of calculation*—(1) *Student borrowers.* For loans disbursed prior to July 22, 1986, the lender must calculate the insurance premium on the basis of the number of months beginning with the month following the month in which the loan proceeds are disbursed to the student borrower and ending 9 full months after the month of the student's anticipated date of graduation. For loans disbursed on or after July 22, 1986, the insurance premium shall be calculated as a one-time flat rate on the principal of the loan at the time of disbursement.

## § 60.15

(2) *Non-student borrowers.* For loans disbursed prior to July 22, 1986, the lender must calculate the insurance premium for nonstudent borrowers on the basis of the number of months beginning with the month following the month in which the loan proceeds are disbursed to the borrower and ending at the conclusion of the month preceding the month in which repayment of principal is expected to begin or resume on the borrower's previous HEAL loans. For loans disbursed on or after July 22, 1986, the insurance premium shall be calculated as a one-time flat rate on the principal of the loan at the time of disbursement.

(3) *Multiple installments.* In cases where the lender disburses the loan in multiple installments, the insurance premium is calculated for each disbursement.

[48 FR 38988, Aug. 26, 1983, as amended at 51 FR 30644 Aug. 28, 1986; 52 FR 746, Jan. 8, 1987; 56 FR 42700, Aug. 29, 1991; 57 FR 28795, June 29, 1992]

## § 60.15 Other charges to the borrower.

(a) *Late charges.* If the borrower fails to pay all of a required installment payment or fails to provide written evidence that verifies eligibility for the deferment of the payment within 30 days after the payment's due date, the lender or holder will require that the borrower pay a late charge. A late charge must be equal to 5 percent of the unpaid portion of the payment due.

(b) *Collection charges.* The lender or holder may also require that the borrower pay the holder of the note for reasonable costs incurred by the holder or its agent in collecting any installment not paid when due. These costs may include attorney's fees, court costs, telegrams, and long-distance phone calls. The holder may not charge the borrower for the normal costs associated with preparing letters and making personal and local telephone contacts with the borrower. A service agency's fee for normal servicing of a loan may not be passed on to the borrower, either directly or indirectly. No charges, other than those authorized by this section, may be passed on to the borrower, either directly or indirectly, without prior approval of the Secretary.

## 42 CFR Ch. I (10-1-06 Edition)

(c) *Other loan making costs.* A lender may not pass on to the borrower any cost of making a HEAL loan other than the costs of the insurance premium.

[48 FR 38988, Aug. 26, 1983, as amended at 52 FR 747, Jan. 8, 1987; 57 FR 28795, June 29, 1992]

## § 60.16 Power of attorney.

Neither a lender nor a school may obtain a borrower's power of attorney or other authorization to endorse a disbursement check on behalf of a borrower. The borrower must personally endorse the check and may not authorize anyone else to endorse it on his or her behalf.

## § 60.17 Security and endorsement.

(a) A HEAL loan must be made without security.

(b) With one exception, it must also be made without endorsement. If a borrower is a minor and cannot under State law create a legally binding obligation by his or her own signature, a lender may require an endorsement by another person on the borrower's HEAL note. For purposes of this paragraph, an "endorsement" means a signature of anyone other than the borrower who is to assume either primary or secondary liability on the note.

## § 60.18 Consolidation of HEAL loans.

HEAL loans may be consolidated as follows provided that the lender or holder must first inform the borrower of the effect of the consolidation on the interest rate and explain to the borrower that he or she is not required to agree to the consolidation:

(a) If a lender or holder holds two or more HEAL loans made to the same borrower, the lender or holder and the borrower may agree to consolidate the loans into a single HEAL loan obligation evidenced by one promissory note.

(b) A HEAL loan may be consolidated with any other loan only if:

(1) The consolidation will not result in terms less favorable to the borrower than if no consolidation had occurred, and

(2) The Federal Government does not, as a result of the consolidation, become liable for any payment of principal or interest for a Guaranteed Student Loan under the provisions of section